FOCUS ON THE FISC

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FROM THE DESK OF THE FISCAL OFFICER

Your Legislative Fiscal Office is pleased to present the latest edition of Focus on the Fisc. We hope you enjoy it and encourage feedback. This issue contains information on the REC forecast revisions from the November 14th meeting. In addition, this issue also discusses OGB plan modifications unveiled during a joint House Appropriations/ Senate Finance Meeting, the Office of Behavioral Health's RFP for the delivery of mental health services for children and adults, and technical education programs offered in high schools regarding various career paths.

Please contact us at (225) 342-7233 if you have questions about any of the topics or need additional information.

John D. Carpenter

FOCUS POINTS

REC Revenue Forecast Revisions

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The Revenue Estimating Conference (REC) met on Friday, November 14, 2014 and revised state general fund revenue forecasts down by some $171 million for FY 15 and $201 million for FY 16 (Table 1). These reductions were largely in mineral revenue resulting from lower oil prices, as well as in personal income taxes and sales taxes incorporating the lower base of actual FY 14 collections that are now known. Additional planned dedications of tax receipts designated as associated with fraud and debt collections exacerbated the tax receipts downgrade. Table 1 below displays the major forecast revisions.

Significantly lower oil prices since the last forecast in May result in materially lower mineral revenue expected in both FY 15 and FY 16. Oil price forecasts have dropped by over $14/bbl for FY 15 to $81.33/bbl, and by over $12/bbl to $83.54/bbl for FY 16. Changes to combined severance tax and royalty receipts were comparable in size to combined personal income tax and general sales tax in FY 15. However, the growth nature of income and sales taxes, and their large bases, results in them dominating the downgrade of the FY 16 forecast. Even though annual aggregate income measures and employment growth have been fairly steady over the last four years (2.5% - 3.5% depending on income concept and 1% total employment), these taxes have yet to exhibit sustained growth

MAJOR REC REVENUE FORECAST REVISIONS, FY15 and FY16
November 14, 2014 (Table 1)

Revenue Source	FY15 Adopted Forecast 11/14/14	FY15 Prior Forecast 5/19/14	FY15 Forecast Change	FY16 Adopted Forecast 11/14/14	FY16 Prior Forecast 5/19/14	FY16 Forecast Change
Personal Income	$2,869.4	$2,932.4	-$63.0	$2,987.8	$3,107.7	-$119.9
Sales, General	$2,666.4	$2,695.7	-$29.3	$2,716.5	$2,766.3	-$49.8
Corporate	$350.0	$350.8	-$0.8	$350.0	$363.0	-$13.0
Severance	$761.8	$808.5	-$46.7	$730.9	$802.7	-$71.8
Royalty	$436.0	$482.6	-$46.6	$442.8	$467.1	-$24.3
Gaming	$861.7	$846.5	$15.2	$854.9	$848.7	$6.2
Sales, Vehicle	$383.5	$380.1	$3.4	$395.3	$386.9	$8.4
Premium Tax	$474.8	$449.8	$25.0	$544.4	$457.9	$86.5
Earnings	$30.0	$42.1	-$12.1	$32.0	$39.3	-$7.3
All Other	$1,689.8	$1,651.9	$37.9	$1,704.7	$1,661.0	$43.7
Total Tax	$10,523.4	$10,640.4	-$117.0	$10,759.3	$10,900.6	-$141.3
Dedications	-$2,011.8	-$1,957.9	-$53.9	-$2,038.6	-$1,978.8	-$59.8
General Fund	$8,511.6	$8,682.5	-$170.9	$8,720.7	$8,921.8	-$201.1

since the state's economic recovery began in early 2010. General Fund earnings are another notable downgrade as interest rates stay at historical lows and sales of securities with associated premiums have nearly been exhausted.

There were some positive revisions, most notably the insurance premium tax. Net receipts from this tax continue to grow at a respectable pace reflecting income and premium growth in the economy, but also a dedicated base expansion in FY16 as the state Medicaid program moves more participants into an insurance-based model of financing. Gaming revenue was adjusted upward, as well, but much of that was a dedicated one-time transfer of reserves from the Lottery Corporation required by the funds bill of last session. All other revenue sources as a group (about twenty-five items) contributed positively to the revision, and corporate tax receipts were left largely unchanged in FY 15. These revisions were not sufficient to offset the weakness in the major revenues being downgraded. In addition, baseline tax collections were dedicated as fraud initiative and debt recovery results.

Overall net state tax receipts are now expected to grow by some 2.2% in both FY 15 and FY 16 before accelerating somewhat toward 3% growth by FY 19. General fund receipts look better initially from a growth perspective, rising by some 3.9% in FY 15. However, a sizable portion of that growth is simply the reclassification of existing hospital lease payment receipts as general funds rather than dedicated funds, and does not reflect actually greater revenue receipts. In FY 18, the currently scheduled replenishment of the Budget Stabilization Fund concludes with a large back loaded payment in excess of $300 million in that year. Consequently, general fund growth goes negative in that year and then bounces back in FY 19.

GENERAL GOVERNMENT

Office of Group Benefits (OGB) Modifications

J. Travis McIlwain, Gen. Govt. Section Director, mcilwait@legis.la.gov

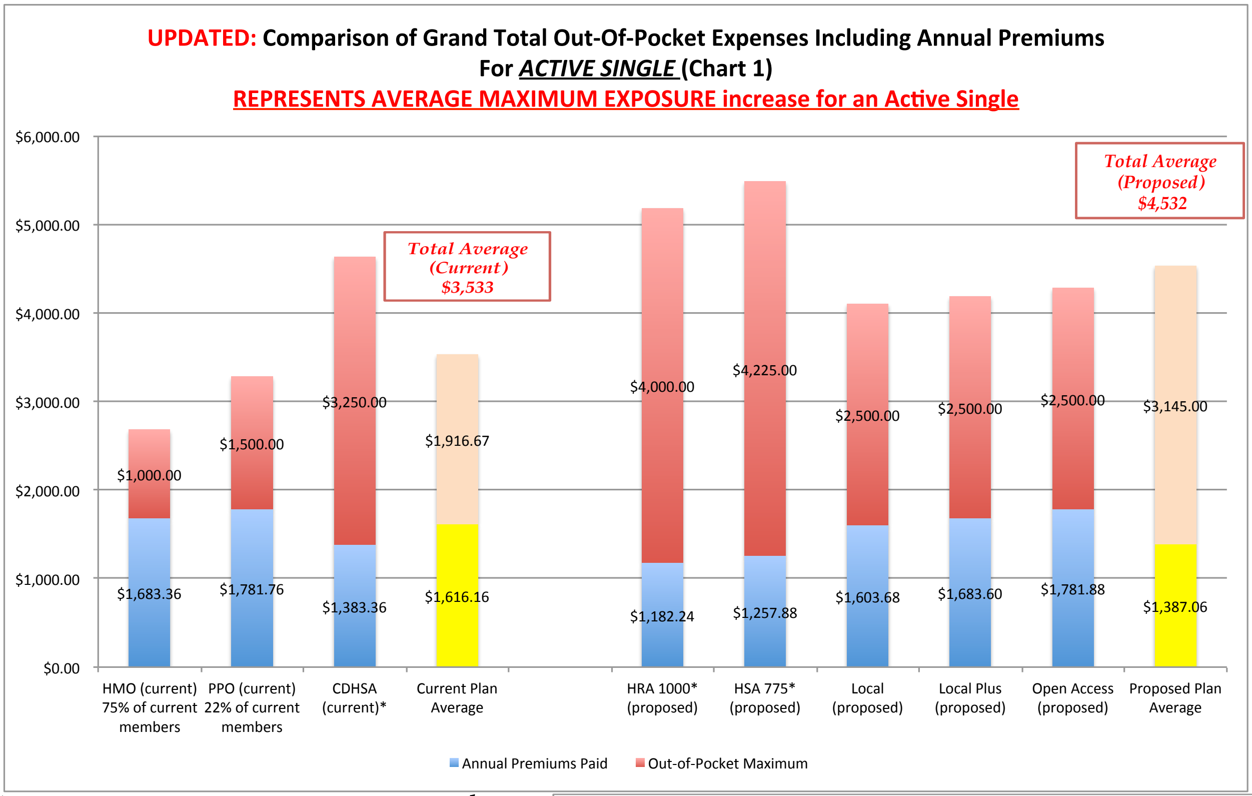
On 11/7/2014, the House Appropriations and Senate Finance Committees held a joint hearing to discuss the health plan offerings for 2015. Due to OGB member concerns, the Division of Administration (DOA) offered modifications to the deductibles and out-of-pocket maximums for the anticipated plans. The modifications include:

- All retirees will maintain the same deductible and out-of-pocket maximums as 2014 health plans;
- Addition of a new level of coverage (individual + 1) for retirees and actives;
- Active employees will see a 10% to 20% reduction in the original proposed 2015 deductibles and out-of-pocket maximums on the Magnolia Local, Magnolia Local Plus and Magnolia Open Access. For example, the net increase in the out-of-pocket maximum for an active individual HMO member will be $1,500 as opposed to $2,000 and for an active individual PPO member will be $1,000 as opposed to $1,500. Table 2 below compares 2014 levels to the original 2015 proposal and the new 2015 proposal.

ACTIVES (Table 2)

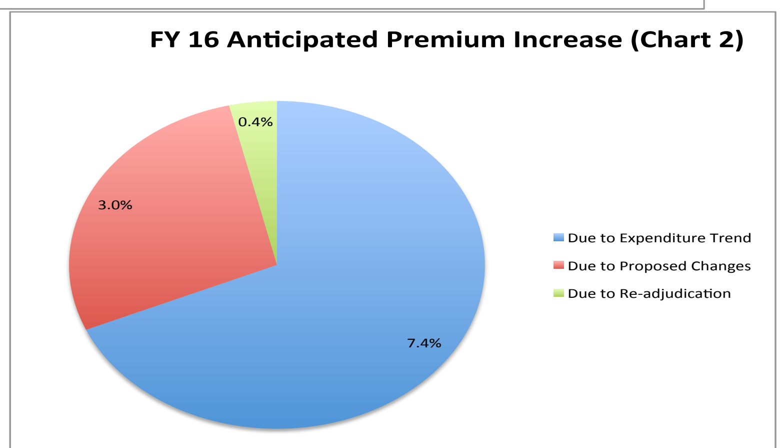
PPO/Magnolia Open Access	2014	2015 Original Proposal	New 2015 Proposal
Deductible	$500 per person, up to $1,500 per family	$1,000 - individual $3,000 - employee + spouse or children or family	$900 - individual $1,800 - employee plus 1 $2,700 - employee + children or family
Out-of-Pocket Max	$1,500 per person up to 3 people + $1,000 for each additional up to $12,700	$3,000 - individual $9,000 - employee + spouse or children or family	$2,500 - individual $5,000 - employee plus 1 $7,500 - employee + children or family
HMO/Magnolia Local Plus	**2014**	**2015 Original Proposal**	**New 2015 Proposal**
Deductible	$0	$500 - individual $1,500 - employee + spouse or children or family	$400 - individual $800 - employee + 1 $1,200 - employee + children or family
Out-of-Pocket Max	$1,000 individual $2,000 employee plus 1 $3,000 employee plus children or family	$3,000 - individual $9,000 - employee + spouse or children or family	$2,500 - individual $5,000 - employee + 1 $7,500 - employee + children + family

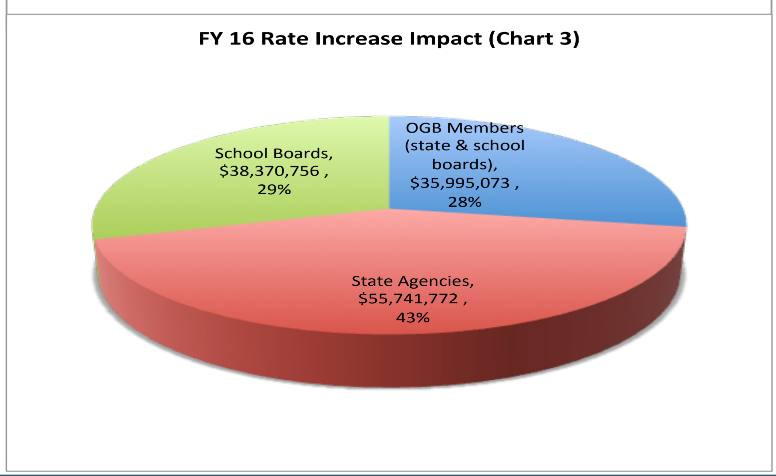
In its August 2014 memo to the Joint Legislative Committee on the Budget (JLCB) regarding the Office of Group Benefits (OGB), the LFO indicated to the committee that the average out-of-pocket cost increase potential for the new health plans is 47% higher than the average out-of-pocket costs of the current health plans. As has been previously discussed, this represents an active individual's out-of-pocket exposure (annual premium + out-of-pocket maximum), or worst-case scenario. With the proposed modifications to the out-of-pocket maximums discussed above and utilizing the same methodology, the 47% average maximum exposure increase has been reduced to an average increase of 32% (a 15 percentage point decrease), which results in reducing the average maximum exposure by a third (32% decrease). Chart 1 below is an updated illustration of the original chart depicted in the August 2014 memo to JLCB.



According to OGB's contract actuary, these proposed changes are anticipated to result in a total program savings loss of $36 M ($9 M – FY 15, $27 M – FY 16). In order to offset the loss of savings, the DOA anticipates building into the FY 16 Executive Budget a 10.8% rate increase to be effective July 2015 (FY 16). The 10.8% anticipated premium increase not only includes the revenues to offset the proposed changes, but also the normal anticipated expenditure trend as well as reimbursing OGB members savings realized by the program prior to the emergency rule being promulgated. For a complete breakdown of the 10.8% rate increase, see Chart 2.

According to DOA, a 10.8% premium increase would generate approximately $130.1 M. Chart 3 is an illustration of the specific groups impacted by the rate increase.





Interim Emergency Board Funding

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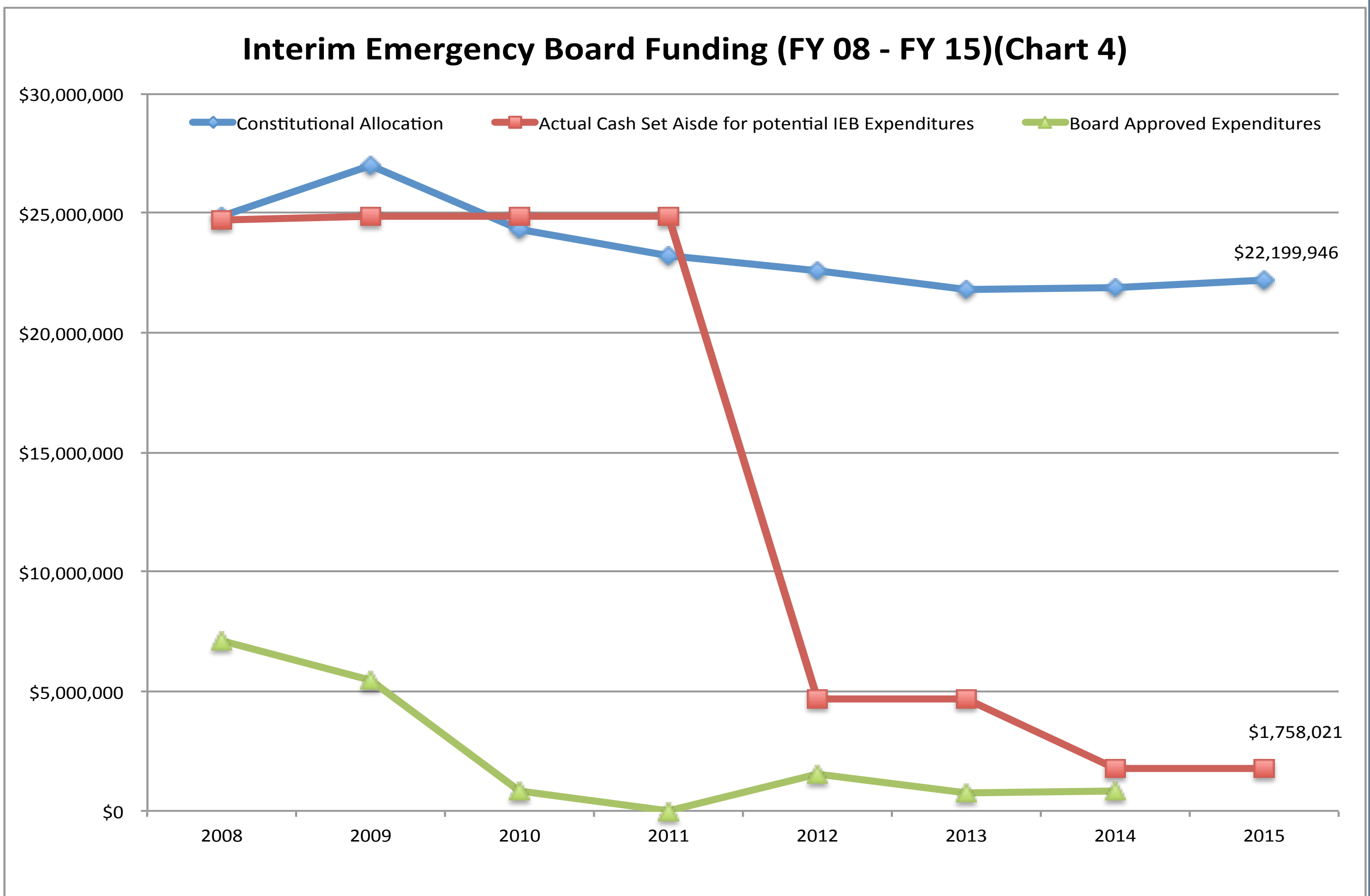
For the past 4 fiscal years (FY 12, FY 13, FY 14, FY 15), a material funding source supporting the budget has been the SGF portion that would otherwise be allocated to the Interim Emergency Board (IEB) in schedule 22-920 Non-Appropriated Requirements (Interim Emergency Fund). Pursuant to Article VII, Section 7 (C.) of the LA Constitution, the amount of SGF set aside for IEB allocations shall not exceed one-tenth of 1% of total state revenue receipts for the previous fiscal year. The State Treasury completes this calculation every fall.

The FY 15 calculated IEB allocation, as recently reported by State Treasury in October 2014, is $22,199,946, while the amount currently set aside in the FY 15 budget is only $1,758,021. Thus, there is approximately $20.4 M of constitutionally allocated SGF IEB resources supporting FY 15 expenditures. To the extent there were approved IEB requests in excess of the current allocation of $1.8 M, the legislature and/or governor may have to reduce current year SGF expenditures to fund such emergencies or borrow on the full faith and credit of the state to meet an emergency if funds are not available or if the emergency's cost exceeds available funds (Article VII, Section 7(B)).

Prior to FY 12, the Executive Budget Recommendation included the total projected constitutional IEB allocation. However, since the FY 12 budget, the Division of Administration (DOA) now only includes an amount equivalent to prior year expenditures from the Interim Emergency Fund (average board approved expenditures). Due to the provision that the IEB cannot meet during legislative session, in prior years any unexpended IEB allocated funds were utilized by the legislature in that year's supplemental appropriation bill to cover current year needs. By not setting aside the full amount at the beginning of the fiscal year, the operating budget is being supported at the outset before knowing emergency needs for the upcoming fiscal year.

Chart 4 depicts the significant difference between what is actually set aside and what is expended.



Department of Corrections, Healthcare for Offenders
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In FY 14, the Department of Corrections (DOC) was appropriated $50 M for off-site health care services for offenders, in addition to the approximately $45.3 M appropriated for on-site offender primary care. Prior to FY 14, all offenders in custody were brought to the charity hospital system for health care needs that could not be provided at a DOC facility. According to DOC, the $50 M was based on historical utilization data from LSU-HCSD and several cost projections from insurance providers.

Of the $50 M allocated for off-site medical expenditures in FY 14, only approximately $19.5 M was expended on all obligations that DOC became responsible for with the transition of the LSU hospitals, including off-site medical costs, medical supplies, acquisitions, and miscellaneous other medical costs. A total of $18.6 M of the remaining fund balance was used to fund personnel costs in FY 14. These costs were not annualized in the FY 15 budget.

During the FY 15 appropriation process funding for off-site medical expenditures was reduced from $50 M to $42.3 M, which is the current amount budgeted. Currently DOC has approximately $9.9 M in outstanding claims provided in FY 14. Although more claims for FY 14 may be received, the amount of such claims cannot be determined at this time. Depending on the amount of such claims from FY 14 and the projected off-site medical expenditures by DOC for FY 15, it is possible healthcare costs will exceed the amount budgeted.

Table 3

	Budget	Actual/Projected Expenditures	Other Expenditures	Balance
FY 14	$50 M	$19.5 M	$30.5 M	$0
FY 15	$42.3 M	$42.3 M	-$9.9 M	-$9.9 M*

NOTE: *DOC has not provided a projection of the potential shortfall associated with the personnel costs in FY 15 which will increase any overall budget shortfall in FY 15. To the extent that the DOC cannot address these personnel costs through any other means the potential shortfall could reach a minimum of $18.6 M.

FY 14 Actual Expenditures
A breakdown of expenditures for FY 14 are as follows: $365,308 for salaries, $464,781 for other compensation, $326,940 for related benefits, and $18,372,976 for other charges. Specifically other charges expenditures include supplies ($5,581,805), professional services ($3,023,122), medical ($9,175,558), acquisitions ($581,854) and miscellaneous ($10,637). Off-site medical expenditures were lower than projected due to the transition of off-site medical care from the LSU-HCSD to the partner hospitals. Of the remaining $30.5 M, $18.6 M was used in the supplemental appropriation for personnel expenses underfunded in other agencies within DOC and the remaining $12 M reverted to the State General Fund at the end of FY 14.

DOC started negotiating with partner hospitals after the

Funding for LA Public Defender Board Capital Defense Standards
Zachary Rau, Fiscal Analyst, rauz@legis.la.gov

The Louisiana Public Defender Board (LPDB) recently published an intent to promulgate statewide rules regarding the defense of indigents in capital cases in the October 2014 State Register. However, funding the implementation of the new rules for the defense of indigent clients may affect LPDB's ability to take on cases involving indigent defendants in capital trials. The new rules outline standards for defense of an indigent client in capital cases by alerting counsel to courses of action that are necessary, advisable, and appropriate from pre-trial to post-conviction. It is LPDB's hope that the standards will aid counsel of indigent clients in providing the highest quality of defense.

Included in the capital defense standards for indigent clients is the recommendation for a proper capital defense team, which includes mitigation specialists and fact investigators. LPDB derives the estimated costs for the implementation of the defense standards from the creation and phasing in of positions for mitigation specialists and fact investigators. It is estimated that the implementation of these proposed rules will result in state general fund expenditures of $620,350 for FY 16, $1,240,701 for FY 17, $2,481,402 for FY 18, and $3,101,752 for FY 19.

LPDB has secured funding for FY 16 due to the cancellation of a $1.29 M professional services contract with the Capital Appeals Project of Louisiana (CAP). CAP is a capital defense contractor that provided services in the 1st Judicial District Court (Caddo). This one-time funding is not likely to be available in subsequent years.

Using funds intended for a professional services contract with CAP is not without its programmatic cooperative endeavor agreements were signed. Some hospitals had lease arrangements with private partners, while services at others were moved to the private hospital and there was some reluctance to provide services to the offender population. Each partner hospital had different concerns. In addition, the transition presented challenges to the timely receipt of invoices and payments by DOC. One obstacle was that the hospitals did not know where to send the invoices for services in some cases. Another challenge for DOC was verifying whether or not a state offender housed in a local jail was actually incarcerated on the date of service. (DOC is required to reimburse the cost of extraordinary medical expenses incurred in emergency circumstances.) Additionally, some partners wanted safeguards in place to make sure that sheriffs would pay their bills. Due to these challenges from the transition, healthcare claims increased towards the end of the year, which resulted in a majority of the expenditures being paid at the end of FY 14.

The State can potentially maximize SGF by leveraging available federal dollars, so for eligible in-patient admissions (approximately 50% of admissions) DOC holds the invoices, files Medicaid applications and waits for the determination. If Medicaid is denied, the DOC either pays the bill or appeals the Medicaid decision with additional documentation. DOC's success rate for Medicaid approval is approximately 75%. The entire process from the initial filing of applications to the eventual determination of Medicaid eligibility has been taking up to 6 months. However, DOC and DHH are working together to expedite pending Medicaid applications.

FY 15 Projected Expenditures

During the FY 15 appropriation process, funding for off-site medical expenditures was reduced from $50 M to $42.3 M, which is the current amount budgeted. Approximately $6 M of the original $50 M was used to fund supplies for agencies within DOC in FY 15. Current FY 15 expenditure projections are based solely on the average monthly expenditures at the end of FY 14. DOC projects to spend approximately $3.3 M a month on off-site medical expenditures or approximately $39.6 M in FY 15. In addition, DOC plans to install an electronic health records system that is expected to cost $2.2 M. DOC is currently in the process of finalizing the RFP for the electronic health records system and anticipates the system will be implemented by the end of FY 15. The goal of this system is to track utilization and ensure a more cost conscious and efficiency driven health care delivery system for offenders.

Currently DOC has approximately $9.9 M in outstanding claims provided in FY 14. The $9.9 M represents the billable amount and does not take into account re-priced or discounted amounts that would be much lower. Of this amount, $6.8 M of claims are pending Medicaid eligibility. According to DOC, based on the success rate of the department for Medicaid eligibility, Medicaid is expected to pay a majority of these claims. Approximately $2.3 M in claims are not yet adjudicated. This amount includes duplicated claims that the Third Party Administrator (TPA) receives daily for claims that have been re-priced and sent to the local facilities, but never paid. If the sheriff does not pay, then the providers send duplicates to the TPA. If DOC determines the medical services were not medically necessary or if DOC

consequences. It is important to note that changes in capital defense allocations will only affect LPDB's capital defense program and not its non-capital case programs. First, LPDB will have to take on capital defense cases in the 1st JDC on a case-by-case basis, which may be more costly than using a contractor such as CAP. Second, by using a portion of the funds allocated for a contractor to pay for implementation of its capital defense standards statewide, LPDB is left with less funding for indigent capital defense in the 1st JDC. As a result, LPDB's ability to take on capital defense cases may be hindered due to higher per-case costs and less funding for indigent capital defense.

If LPDB does not secure state funds to create positions for mitigation specialists and fact investigators, one option is to embed the new positions within the district public defender offices needing them most, reducing costs to the state. District offices would have to come up with the remainder of the funding for the new positions. However, the current funding situation for district public defender offices is tenuous. Twenty-six district public defender offices are currently operating at a deficit, and LPDB projects a handful of these offices to become completely insolvent by the end of FY 15, with others becoming insolvent during FY 16.

Funding the standards in subsequent years is subject to legislative appropriation. If the legislature does not appropriate funds for the implementation of the capital defense standards beyond FY 16, LPDB will fund them to the extent that monies become available. Any positions added with one-time funds in FY 16 will likely be temporary in nature without recurring appropriation by the legislature.

cannot verify if the offender was in custody at the time of service, DOC is not responsible for payment. Approximately $500,000 of the claims are pending ER/Inpatient authorization which means that DOC is awaiting offender status verification to determine if services were provided when an offender was in a local facility. The remaining $300,000 in claims are in the process of being paid and/or pending review. Although more claims for FY 14 may be received, the amount of such claims cannot be determined at this time. Depending on the amount of such claims from FY 14 and the projected off-site medical expenditures by DOC for FY 15, it is possible healthcare costs will exceed the amount budgeted.

DOC is budgeted $49.2 M for on-site offender primary care in FY 15. Including the $42.3 M budgeted for off-site medical expenditures, total projected expenditures for FY 15 are approximately $91.5 M.

British Petroleum (BP) Economic Damages Lawsuit
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Act 646 of 2014 created the Deepwater Horizon Economic Damages Collection Fund to receive the proceeds of the settlement, judgment, or final disposition of the state's economic damages claims asserted in the Deepwater Horizon litigation. Act 646 allocates 45% of receipts to the Budget Stabilization Fund up to its maximum, 45% to the Medicaid Trust Fund for the Elderly up to $700 M, and 10% to the Health Trust Fund up to $30 M. The fund expires at the later of the conclusion of the litigation or July 1, 2024.

The amount Louisiana would receive from the settlement, judgment, or final disposition of case is unknown. In addition, it is unknown how much would be needed to fulfill the maximum amounts mentioned in Act 646. However, for illustrative purposes, if the state received a settlement today, $1.02 B would be needed (Table 4) to fulfill the maximum amounts stated in Act 646.

Table 4

Fund	Percent of Settlement	Settlement Amounts
Medicaid Trust Fund for the Elderly	45%	$459,158,716
Budget Stabilization Fund	45%	$459,158,716
Health Trust Fund	10%	$102,035,270
Total	**100%**	**$1,020,352,702**

Based upon current fund balances, the $1.02 B amount would be allocated as follows (Table 5): $459.2 M to Medicaid Trust Fund for the Elderly, $366.8 M to the Budget Stabilization Fund and $29.2 M to the Health Trust Fund. Since the Budget Stabilization Fund has a statutory cap based on total receipts of the state, approximately $92.4 M ($459.2 M settlement - $366.8 M needed) would not be deposited into the fund. The Health Trust Fund would be over the maximum amount by $72.8 M ($102 M settlement - $29.2 needed. This would result in a total of $165.2 M in funding that would be available for appropriation. The amounts for each fund in the table below are based on the fund balances as for 11/6/14.

Table 5

Fund	Balance as of 11/6/14	Act 646 Max Amount	Funding Needed	Remaining Funding
Medicaid Trust Fund for the Elderly	$240,841,284	$700,000,000	$459,158,716	$0
Budget Stabilization Fund	$444,616,265	$811,416,762	$366,800,497	$92,358,219
Health Trust Fund	$840,238	$30,000,000	$29,159,762	$72,875,508
Total			**$855,118,975**	**$165,233,727**

There is no trial date set for the economic damages portion of the lawsuit; however, it is expected to take place in 2016 at the earliest. It is also unknown how long the trial is expected to take. Alabama has filed a lawsuit again BP for economic damages as well and the case is expected to go to trial in late 2015. Louisiana's trial will follow the end of Alabama's trial.

It should be noted that the settlement amounts listed above are purely for illustrative purposes based on Act 646 and the current fund balances. In the event the fund balances increase or decrease by the time the trial is finished and a settlement is made, the funding needed will change accordingly. In addition, the Medicaid Trust Fund for the Elderly is anticipated to be diminished almost entirely by the end of FY 15. In the event the fund is diminished, then approximately $700 M would be needed to fulfill the maximum amount in Act 646.

HEALTH & HOSPITALS

OBH Seeks to Refine Behavioral Health Services Through New RFP
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The Office of Behavioral Health (OBH) issued an RFP in August of 2014 to identify and contract with a Statewide Management Organization (SMO) to administer the Louisiana Behavioral Health Partnership (LBHP) at the conclusion of the current contract that ends on February 28, 2015. OBH included changes in the new RFP to address certain difficulties faced by state and local agencies under the current contract.

Under the new-RFP, the delivery of mental health services for the Medicaid eligible populations will change from a blended fee-for-service (children) and fully-capitated (adults) system to one that is solely fully-capitated with an actuarially sound, Per Member Per Month (PMPM) rate. OBH reports this change will allow for greater flexibility within the children's program to offer additional services, as well as to provide the SMO with flexibility to incentivize and recruit new providers in areas of scarcity. This action will require CMS approval, for which OBH will submit an application in late November of 2014 with an anticipated approval prior to the go-live date of March 1, 2015.

Under the existing agreement, pharmacy benefits are managed through the separate Bayou Health contract. The RFP seeks to include pharmacy benefits for medications prescribed by qualified LBHP providers. This move will allow the SMO to better monitor and manage behavioral health pharmacy benefits for its members and potentially increase the appeal of the RFP to larger, more experienced companies. This change will also require CMS approval, to be requested in late November of 2014.

The new RFP will simplify the claims process by focusing on billing by provider type rather than diagnosis. Under the current contract, providers experienced difficulty determining whether a given service or prescription should be covered under the Bayou Health contract or the LBHP. Under the current system, claims were frequently delayed when general practitioners may have made a mental health diagnosis and prescribed treatment. The system in place sometimes resulted in the inability to determine the proper billing mechanism and payer. By shifting the focus to provider type rather than diagnosis, OBH anticipates the process will be greatly simplified, leading to faster provider payments.

The RFP adds language allowing for the transition of LBHP members into a Managed Long-Term Supports and Services (MLTSS) program planned by DHH. This new managed care system will provide a full array of behavioral health services for members requiring long-term support.

The RFP additionally added capability for OBH to access certain database systems, which OBH anticipates will increase its ability to monitor and assess the integration of the Electronic Health Records System. OBH anticipates this access will enhance its ability to troubleshoot and resolve ongoing difficulties experienced by the state's Human Services Districts/Authorities with regard to claims billing and processing, coding of services, explanation of payments and other technical items.

Similar to the planned contract for Bayou Health, within the financing mechanism proposed for the new SMO, during the first contract month the state will shift its payment to the SMO from an anticipatory basis (paying a PMPM based on the estimated population for the upcoming month) to making the payment at the start of the subsequent month in which services were delivered. This shift will create a one-time savings in the last third of FY 15 of approximately $2.4 M. The state will make its PMPM payment in April for March services, resulting in no at-risk population payments during the month of March.

Expenditures for the LBHP are anticipated to increase in FY 16 based largely on non-recurring the one-time savings associated with the shifted PMPM payment, an increase associated with the 2.25% state premium tax applicable to capitation rates paid to the SMO, and the carve-in of pharmacy benefits for medications prescribed under the LBHP. The increase in programmatic expenditures associated with the state premium tax is at no net cost to the state because premium tax revenues collected from the SMO by the Louisiana Department of Insurance are in turn transferred to the Medical Assistance Trust Fund for support of the Medicaid Program.

EDUCATION

Jump Start, Career and Technical Education and TOPS Tech Early Start Awards
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Jump Start Graduation Pathways
Originally proposed as a competitive pilot in July 2013 with a small number of participating districts, the state Department of Education (LDOE)

launched the Jump Start Program as a statewide initiative in February 2014. The program aims to prepare students to earn statewide industry based certifications aligned with high growth, high wage jobs as approved by the Louisiana Workforce Investment Council (WIC). The initiative was approved by the Board of Elementary and Secondary Education (BESE) in March 2014 and codified in law through revisions to the career diploma law with the enactment of Act 643 of the 2014 Regular Session.

Jumpstart allows participating students in high school more time in the school day (and school year) to achieve industry-based certification in addition to their high school diploma. The first two years of high school are focused on core academic courses and the final two years on career and technical education "hands-on" study in areas relevant to regional job opportunities.

School districts are required to develop and offer one or more career major programs aligned to workforce demands in partnership with local business and industry leaders, local economic development agencies and postsecondary education leaders. There are currently eleven active Jump Start Regional Teams across the state. These regional teams are tasked with designing plans for providing courses and workplace based experiences as well as identifying career opportunities for participating students. Their recommendations are submitted to the Jump Start Graduation Pathway Review Panel consisting of members from Louisiana's Economic Development, Workforce Commission and Department of Education for approval, and subsequently to the BESE.

During its October 14, 2014 meeting, BESE approved 33 Graduation Pathways across three possible credential categories for Jump Start Graduates (Table 6).

8(g) grants to Regional Teams
In a corresponding action and utilizing 8(g) funds, BESE approved $645,000 in a second round of competitive grant awards to regional teams across the state, as reflected in Table 7 on the next page. $225,000 of the grant awards will be used to expand career counseling with a focus on engaging students in career and college planning in middle and high school. $420,000 of the grant awards will be used to fund regional network workplace exchanges focused on expanding teacher experience and capacity, job shadowing, student internships and outreach. Applications for an additional $200,000 in grants awards are currently under consideration by the DOE with recommendations to be submitted for BESE's approval at its December meeting.

Table 6

Statewide Graduation Pathways	
Automobile Service	Industrial Maintenance Mechanic
Carpenter	Internet Web Foundations
Certified Mechanical Drafter	Manufacturing Specialist
Certified Nursing Assistant	Mobile Crane Operator
Collision Repair	Oil & Gas T2 Safety Systems
Electrician	Pipefitter
Emergency Medical Tech	Plumber
Fashion Design	Prostart / Restaurant
Four Stroke Engine Tech	Web Design Professional
HVAC Tech	Welder
Integrated Graduation Pathways	
Agriculture Tech	Information Technology
Digital Media and Entertainment Technology	Manufacturing, Construction Crafts and Logistics
Health Sciences – Patient Care and Management	STEM
Hospitality, Tourism, Culinary, and Retail	Technology Specialist
Regional Graduation Pathways	
Business Management	Sheet Metal
Commercial Driver	Welder's Helper
Mason	

TOPS Tech Early Start Awards
Finally, BESE approved Jump Start Program policy changes to implement the provisions of Act 737 of 2014 which expands the use of TOPS Tech Early Start (TTES) awards; TTES may now be used for any technical or applied course leading to an Industry Based Certification, or Certificate of Applied or Technical Science which has been approved by WIC. The legislation further expanded providers to include non-public educational institutions and private training providers. For the 2014-2015 academic year, the number of approved training providers is limited to five; there is no limitation on the number of

Table 7

Regional Team	Participating Districts	Grant Award
Bayou	Assumption, Lafourche, St Mary, Terrebonne	$75,000
Central Louisiana	Avoyelles, Catahoula, Grant, LaSalle, Rapides, Vernon, Winn	$150,000
Central Capital Region	Ascension, Central, East Baton Rouge, Iberville, West Baton Rouge, Louisiana School for the Deaf and Visually Impaired	$75,000
Gulf River Parishes	Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John	$75,000
North Capital Region	East Feliciana, Pointe Coupee, West Feliciana, Zachary	$75,000
Northeast Delta	East Carroll, Franklin, Madison, Richland, West Carroll	$45,000
Northwest Louisiana	Bienville, Bossier, Caddo, Claiborne, DeSoto, Natchitoches, Red River, Sabine, Webster	$75,000
Southwest Louisiana	Allen, Beauregard, Cameron, Calcasieu, Jefferson Davis, Vernon	$75,000

providers for subsequent years. On October 16th, the LDOE released a Request for Applications for Providers with selected training providers expected to be submitted for BESE approval at its December meeting.

A student in 11th and 12th grade may be granted a TTES award if he has a minimum G.P.A. of 2.0 and scores a 15 or higher on the ACT. Providers may receive up to $150 per three credit hour course not to exceed two such courses per semester for participating students. Using LDOE public school counts from 2/14/14 there are 81,935 11th and 12th grade students in public schools. Information from the 2012 ACT Profile Report indicates that of the 36,736 Louisiana students taking the ACT, 19,934 or 54.3% scored 20 or higher and 13,159 or 35.8% scored between 15 and 19. Applying those percentages to the total number of 11th and 12th graders means that 90.1% or some 73,742 students could participate in TTES. However, assuming that students who score between a 15 and a 19 are more likely to enroll in career and technical training courses the potential pool would be reduced to approximately 29,349 11th and 12th graders. Further, if all those students enrolled in the maximum allowable number of course hours at the full course amount the potential annual increase to the TOPS program could be as much as $17.6M. Assuming a smaller portion of those students utilized the TTES award, such as 10%, would result in annual increases of approximately $4.9M. However, given the timing in the Pathways approval process as well as the limitation on the number of providers for the current school year, it is likely the proposed changes will not significantly impact the TOPS program until FY 16.

Funding for Higher Education Institutions Experiencing Rapid Enrollment Growth

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Act 15 (general appropriation bill) of 2014 included $6.1 M in SGF for "Competitive Core Funding" to be distributed in accordance with a plan developed and approved by the Board of Regents and implemented by the Division of Administration (DOA). The Board of Regents targeted this funding to institutions with the lowest higher education formula implementation rates. The following institutions received the $6.1 M in SGF funding per the plan approved by the Board of Regents and implemented by the DOA:

1. Bossier Parish Community College $3,401,015
2. Delgado Community College $533,461
3. L. E. Fletcher Technical Community College $337,410
4. Nunez Community College $308,323
5. River Parishes Community College $359,083
6. Sowela Technical Community College $1,090,312
7. Northshore Technical Community College $70,396

All the institutions above are part of the Louisiana Community and Technical Community College System (LCTCS). These institutions have the lowest formula implementation rates among public institutions in the state because they have experienced significant increases in enrollment growth in recent years while state general fund support decreased for all public higher education institutions at the same time. Like all LCTCS institutions, these seven institutions have generally experienced enrollment growth that is significantly greater than other public higher education institutions in the state for the following reasons:

1. Increased costs of 4-year institutions compared to community/technical colleges.
2. Increased admission requirements of 4-year institutions.
3. Recession/competitive job market.
4. Recruitment of non-traditional students.
5. Master course articulation matrix (acceptance of general education courses from community/technical college by 4-year institutions).
6. Lower faculty to student ratios and more personalized attention to students from instructors.
7. Shorter technical programs leading to actual job openings with high wages.

Table 8 below shows the changes in student enrollment based on full-time equivalent (FTE) students from FY 09 to FY 14, formula funding by institution, and the implementation rate by institution. The table also shows the allocation of the $6.1 M to institutions receiving these funds and the impact of this funding on these institutions' implementation rates.

Louisiana Community and Technical College System (LCTCS) Enrollment Growth and Allocation of $6.1 M in SGF for Institutions with Low Implementation Rates (Table 8)

Institution Name	FY 09 Student Enrollment (FTE)	FY 14 Student Enrollment (FTE)	% Change FY 09 to FY 14	FY 15 SGF Formula Funding	FY 15 Funding Formula Implem. %	$6.1 M SGF for Rapid Growth	FY 15 SGF Formula Funding with $6.1 M	FY 15 Funding Formula Implem. % with $6.1 M
Louisiana Community and Technical College System (LCTCS)								
Bossier Parish CC	3,523	6,107	73.3%	$7,203,339	35.4%	$3,401,015	$10,604,354	52.1%
Sowela Technical CC	1,584	2,382	50.4%	$5,315,212	43.3%	$1,090,312	$6,405,524	52.1%
Delgado CC	10,179	12,139	19.3%	$25,154,937	51.0%	$533,461	$25,688,398	52.1%
River Parishes CC	786	1,530	94.7%	$2,926,212	46.4%	$359,083	$3,285,295	52.1%
L.E. Fletcher Tech. CC	1,006	1,554	54.5%	$2,614,574	46.2%	$337,410	$2,951,984	52.1%
Nunez CC	1,049	1,466	39.8%	$3,043,350	47.3%	$308,323	$3,351,673	52.1%
Northshore Technical CC	N/A	1,647	N/A	$4,906,737	51.4%	$70,396	$4,977,133	52.1%
Central LA Technical CC	N/A	1,572	N/A	$5,682,888	53.5%	$0	$5,682,888	53.5%
South Louisiana CC	2,185	4,716	115.8%	$12,523,867	55.0%	$0	$12,523,867	55.0%
Louisiana Delta CC	1,106	2,654	140.0%	$7,901,568	57.2%	$0	$7,901,568	57.2%
Baton Rouge CC	5,253	6,953	32.4%	$14,724,512	58.0%	$0	$14,724,512	58.0%
Louisiana Tech. College	14,863	5,273	-64.5%	$10,910,029	68.6%	$0	$10,910,029	68.6%

Information Source: Louisiana Board of Regents

This additional $6.1 M raised these seven LCTCS institutions to a minimum implementation percentage of 52.1% as shown in the far right column. With two exceptions, these institutions had the largest percentage increase in student enrollment from FY 09 to FY 14. The only exceptions were South Louisiana Community College (SLCC) and Louisiana Delta Community College (LDCC). SLCC and LDCC had the highest percentage growth in student enrollment from FY 09 to FY 14 because they absorbed many students from vocational technical programs formerly operating under the Louisiana Technical College (LTC). Specifically, SLCC absorbed the following vocational technical campuses formerly operating under the LTC: Acadiana (Crowley), C.B. Coreil (Ville Platte), Evangeline (St. Martinville), Gulf Area (Abbeville), Lafayette, Teche Area (New Iberia), and T. H. Harris (Opelousas). LDCC absorbed the following vocational technical campuses formerly operating under the LTC: Bastrop, Delta Ouachita (West Monroe), North Central (Farmerville), Northeast (Winnsboro), and Ruston. Furthermore, the decline in student enrollment for the Louisiana Technical College (LTC) from FY 09 to FY 14 was due to the absorption of these campuses into regional community colleges per the examples for SLCC and LDCC. The LTC has the following two campuses still operating: South Central Louisiana Technical College (Houma-Thibodaux) and Northwest Louisiana Technical College (Bossier-Shreveport).

As a comparison to the LCTCS implementation rates, Table 9 to the right shows the FY 15 formula funding and implementation rates for other institutions in the state. Table 9 demonstrates that implementation rates for these institutions are mostly higher than for LCTCS institutions.

The LCTCS reports that institutions receiving the $6.1 M in funding in FY 15 are not tracking how these funds are being expended. The LCTCS reports that approximately 75 percent of institutions' expenditures are for salaries and benefits of faculty and staff and it would be a reasonable assumption that 75 percent of the $6.1 M (approximately $4.6 M) is being expended as such. It is unclear how LCTCS institutions will fund these faculty and staff in FY 16 and thereafter if this funding is not recurring in nature. The Board of Regents is requesting $20 M in the FY 16 budget to further address other institutions statewide with low formula implementation rates. This $20 M may address LCTCS institutions' on-going faculty/staff costs in FY 16 if appropriated by the Legislature and allocated accordingly to these seven LCTCS institutions.

Formula Funding (Excluding LCTCS) (Table 9)

Institution Name	FY 15 SGF Formula Funding	FY 15 Funding Formula Implem. %
LSU System		
LSU Alexandria	$5,241,531	79.5%
LSU A&M (Baton Rouge)	$107,149,958	59.4%
LSU Eunice	$4,666,525	60.4%
LSU Shreveport	$7,189,227	63.0%
Southern System		
Southern Baton Rouge *	$21,315,202	75.4%
Southern New Orleans	$5,938,241	81.1%
Southern Shreveport *	$5,569,696	52.5%
University of Louisiana System		
Grambling State	$12,808,347	62.0%
Louisiana Tech	$27,621,895	58.0%
McNeese State	$17,477,556	62.2%
Nicholls State	$14,911,317	69.2%
Northwestern State	$20,344,577	63.6%
Southeastern La	$29,435,295	69.3%
Univ. of La - Lafayette	$44,831,995	59.5%
Univ. of La - Monroe	$24,405,667	57.6%
Univ. of New Orleans	$30,059,616	68.9%

Information Source: Louisiana Board of Regents

* Includes funding transferred to the Southern University Board of Supervisors from Southern Baton Rouge ($3,197,280) and Southern Shreveport ($835,455) although these universities failed to meet LA GRAD act requirements in FY 14. These universities are pursuing remediation plans with the aim of retaining these funds this fiscal year.